



PSC NEWS

Missouri Public Service Commission

Contact: Kevin Kelly

Phone: (573) 751-9300

Governor Office Building, Suite 900

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PSC APPROVES AGREEMENT REACHED IN EMPIRE DISTRICT ELECTRIC RATE CASE...INTERIM ENERGY CHARGE ELIMINATED

Jefferson City (November 14, 2002)---Current electric bills will drop for customers of The Empire District Electric Company under an agreement approved by the Missouri Public Service Commission. The overall reduction reflects an \$11 million increase in permanent electric revenues for the Company, but also the elimination of an interim energy charge that customers have been paying since September 2001. This rate change will take effect after The Empire District Electric Company files tariffs to reflect the Commission's order approving the agreement and those tariffs are reviewed and approved by the Commission.

The agreement approved by the Commission also calls for a rate moratorium through September 1, 2003, and the creation of an experimental low-income program.

When The Empire District Electric Company filed its rate request on March 8, 2002, it sought to increase permanent electric revenues by approximately \$19.7 million.

The agreement approved by the Commission was submitted by the PSC Staff, the Office of the Public Counsel, The Empire District Electric Company and Praxair (an intervenor in the case). The agreement was reached as a result of extensive negotiations conducted by the above parties. The Office of the Public Counsel is a separate state agency which represents the general public in matters before the Missouri Public Service Commission.

For a residential customer using 750 kwh (kilowatt-hours) a month, permanent electric rates will increase by \$2.37 a month, but elimination of the interim energy charge will reduce that monthly electric bill by \$2.63 a month, for an overall reduction of 26 cents a month from current electric rates.

For a residential customer using 1,000 kwh a month, permanent rates would increase by \$3.24 a month. There would be a reduction of \$3.50 due to the elimination of the interim energy charge so this customer will actually see an overall reduction of 28 cents a month from current electric rates.

Elimination of the Interim Energy Charge: Customers will see lower electric bills under the agreement due to the elimination of the interim energy charge. In addition, the agreement calls for The Empire District Electric Company to refund all monies collected under the interim energy charge

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during the time it was in effect. Customers will see the return of these dollars, with interest, in the form of a bill credit in early 2003.

Early termination of the charge is due to substantially lower prices of natural gas and purchased power.

As part of an electric rate case decision in September of 2001, The Empire District Electric Company was allowed to incorporate an interim energy charge on customer bills. The interim energy charge established in the case was approximately one-half cent per kwh (per kilowatt-hour) on customer bills.

The interim charge, which began in October 2001 and was due to expire in October 2003, was designed as an attempt to address the potential volatility in natural gas and wholesale electricity prices. The interim energy charge was subject to refund, with interest, depending on Empire's prudently incurred natural gas and purchased power costs over the two year period.

In June of this year, the Commission approved an agreement which reduced the interim energy charge by approximately \$7 million, a savings of approximately \$1.43 a month for a residential customer using 750 kilowatt-hours a month.

The agreement reached in this rate case will eliminate the interim energy charge for all customers. In addition, the agreement calls for The Empire District Electric Company to refund, with interest, all monies collected while the interim energy charge was in effect (approximately \$17 to \$18 million). Under the agreement, Empire will return, no later than March 15, 2003, all monies collected under the interim energy charge via a credit to customers.

Rate Moratorium: Under the terms of the agreement approved by the Public Service Commission, there is a rate moratorium until at least September 1, 2003. Unless there is a significant, unusual event that has a major impact upon The Empire District Electric Company, the company will not file for a rate increase and parties will not file for a rate decrease until at least September 1, 2003.

The PSC Staff believes the rate stability over this period of time is a significant benefit to consumers without being so long as to interfere with or delay The Empire District Electric Company's planned construction of additional generating plant. The electric company is in the process of adding new combustion turbine capacity, which is expected to come on line in the first half of next year.

Experimental Low Income Program: The agreement calls for the establishment of an experimental program to assist low-income customers. Funding for the program will come through customer rates and matching dollar-for-dollar funding from The Empire District Electric Company. Program details are to be developed by a collaborative committee of the interested parties and will be presented to the Commission for approval no later than April 1, 2003.

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The Empire District Electric Company serves approximately 128,700 electric customers in the Missouri counties of Barry, Barton, Cedar, Christian, Dade, Dallas, Greene, Hickory, Jasper, Lawrence, McDonald, Newton, Polk, St. Clair, Stone and Taney.

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Case No. ER-2002-424